

NYNEX NEW YORK SERVICE - SPECIFIC COST STUDY

(A) INTRODUCTION

NYNEX undertook this study to identify the costs associated with the major categories of state and interstate communications services and to compare the results with the costs allocated by the Commission's Part 36 Separations and Part 69 Access Charge rules. This study is an update to the NYNEX USPP filing.¹ This process identifies the over-allocations and under-allocations of costs that are created by the Commission's rules. The current FCC rules rely on broad allocation methods to assign investment costs to plant categories and between the state and interstate jurisdictions and to assign costs among access elements within the interstate jurisdictions. These rules over-allocate costs to the interstate jurisdiction in general and to switched access services in particular. This over-allocation keeps residential rate relatively low, and very minimal or almost zero contribution towards the recovery of joint and common costs of the company flow from residential customers. Rates from other services recover a substantial portion of the joint and common costs of the company. As a result of regulatory and technological changes that have promoted competition for local exchange telecommunications services, the large margins contained in switched carrier access rates can no longer be sustained. These margins attract competitors and lead to uneconomical choices among suppliers of access services.

¹ See NYNEX Universal Service Preservation Plan Exhibit 4, December 15, 1993.

(B) DESCRIPTION OF THE STUDY

To assess whether and to what extent the Commission's separations and Part 69 rules over-allocate costs to the Switched Access categories, NYNEX has updated the New York embedded cost study. We selected New York for this study because the New York Public Service Commission ("NYPSC") has approved a direct cost manual and other studies that allow NYNEX to directly assign costs to particular services.

The NYNEX New York cost study follows the general guidelines defined in the Embedded Cost Study Manual ("Manual"), which was approved by the NYPSC on August 17, 1989. This Manual is a product of a NYPSC directive requiring NYNEX and the other LECs doing business in New York State, interested parties (such as IXCs, user groups, etc.), and the NYPSC Staff to consult with one another on various costing methodologies that would be used in subsequent rate cases and in other proceedings. Therefore, this methodology represents the view of several industry and regulatory interests of a reasonable way of determining the embedded costs associated with switched services, including carrier access services.²

The service-specific cost study provides a better estimate of the costs of each service than the Commission's separations and Part 69 rules.

² NYNEX does not support the use of service-specific embedded costs as the basis for setting prices or for making any decisions which affect the actions of the company. The current service-specific cost study was performed solely to measure the amount of contribution--as defined through the accounting costs of the Company--that has been incorporated in interstate switched access rates.

Following the direct costing methodologies described in the Manual, NYNEX began its analysis with the New York State total company (unseparated) 1995 book of accounts.³

Whereas the Commission's Part 36 Jurisdictional Separations procedures are at the Class B summary account level, the service-specific cost study was accomplished at the Class A and Subaccount level.⁴

The premise of the service-specific cost study is that investments and expenses which can be identified as being directly attributable to a particular service category are directly assigned to that service category. Investments and expenses which are utilized for more than one service are allocated to the applicable service categories based on the cost-causative characteristics of the affected services. In contrast, the Commission's Part 36, Jurisdictional Separations procedures limit the use of direct assignment.

Unlike separations procedures, the cost study assigns investments and expenses which are not specific to any particular service or group of services to the "Common" category. To develop fully distributed costs, NYNEX allocated the costs included in the "Common" category to the service categories in the same proportion as the final distribution of direct costs.

Usage-related investment and expense allocations in the service-specific cost study were based on "peak period" demand rather than "average period" demand used in the

³ Unlike the separations process, allocations between the regulated and unregulated operations were not performed prior to the assignment of costs to the service categories. The costs associated with unregulated operations were included in the "Other" category.

⁴ It should be noted that the subaccounts used in this study are unique to NYNEX and may not be the same as subaccounts used by other Local Exchange Carriers subject to Part 32 Accounting procedures.

Commission's separations procedures. Peak period demand was selected since this is the basis for the engineering of facilities within NYNEX and because it is more representative of a true cost identification process.

Following is a process flow which summarizes the steps to produce the service-specific cost study for NYNEX New York:

- Beginning with the total unseparated 1995 books of the company, costs were assigned to the service categories of *Switched Access, State Toll, Regional Calling Plan, "Other"* and *"Common"* following the guidelines defined in the NYPSC approved Embedded Cost Study Manual for switched services.
- Costs assigned to the "Common" category were distributed to the service categories in proportion to the assignment of direct costs.
- The Residence Exchange (1FR and 1MR), Business Exchange (1MB) and Private Line costs, along with a proportionate share of common costs, were identified from within the "Other" Category and were assigned to the Residence Exchange, Business Exchange and Private Line/Special Access service categories.
- The remainder of the costs are grouped in a category identified as "Miscellaneous" in Chart 1. This category includes public telephone, operator services, directory assistance, billing and collection, vertical services (custom calling, three way calling, touch-tone, etc.), centrex, intellipath, inside wire, and non-regulated services.
- The interstate portion of the Switched Access service category was developed using the percent of interstate usage. The interstate switched access service

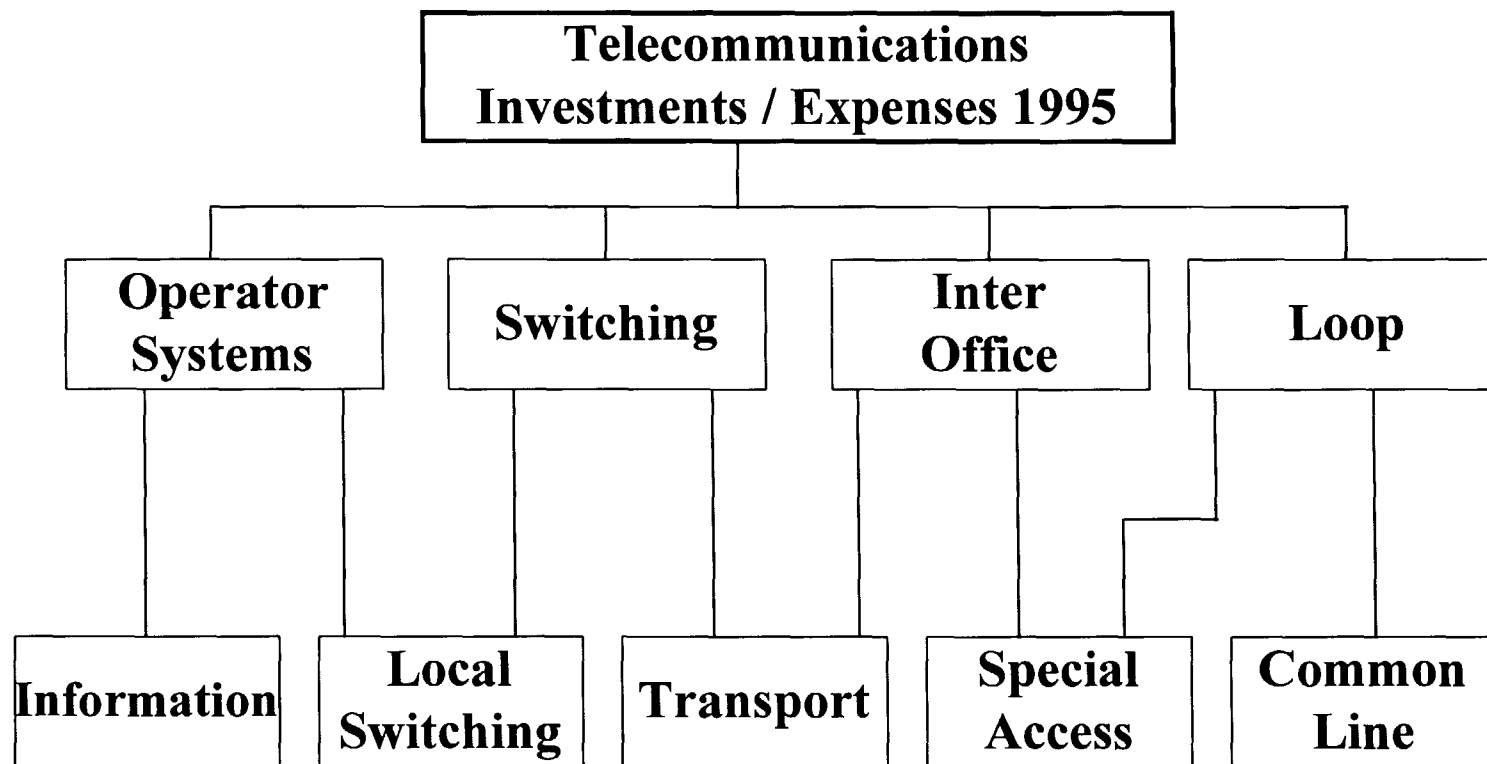
category was separated into the categories of Local Switching and Local Transport using the underlying details of the study. The interstate portion of the Private Line category (Special Access) was developed based on a circuit inventory (similar to the separations process).

The results of operating expenses excluding taxes of both separations/Part 69 processes and the service-specific cost study for interstate switched access (i.e., Local Transport and Local Switching) is found in Exhibit IV. These are displayed at a Class A account level of detail. The Commissions' Separations manual works at a Class B summary account level, however embedded in those accounts are Class A accounts that separations allocates to interstate switched access. These amounts are calculated based on the FCC ARMIS Reports of 43-03, 43-04 and 43-01.

The following exhibits compare the New York study with the Commission's Part 36 and 69 cost allocation rules. Exhibit 1 is the Commissions' Part 36/69 cost allocation process. Exhibit 2 is the new York Switched Access Module process. Exhibit 3 is the NYNEX further study of the module to identify the Residence exchange, Business exchange and Private Line / Special Access.

Exhibit I

FCC RULES ASSIGNS COSTS TO PLANT CATEGORIES



Note: Some expenses are allocated to
billing and collection services

EXHIBIT 2

THE SERVICE SPECIFIC COST STUDY PROCESS ASSIGNS COSTS TO SERVICE CATEGORIES

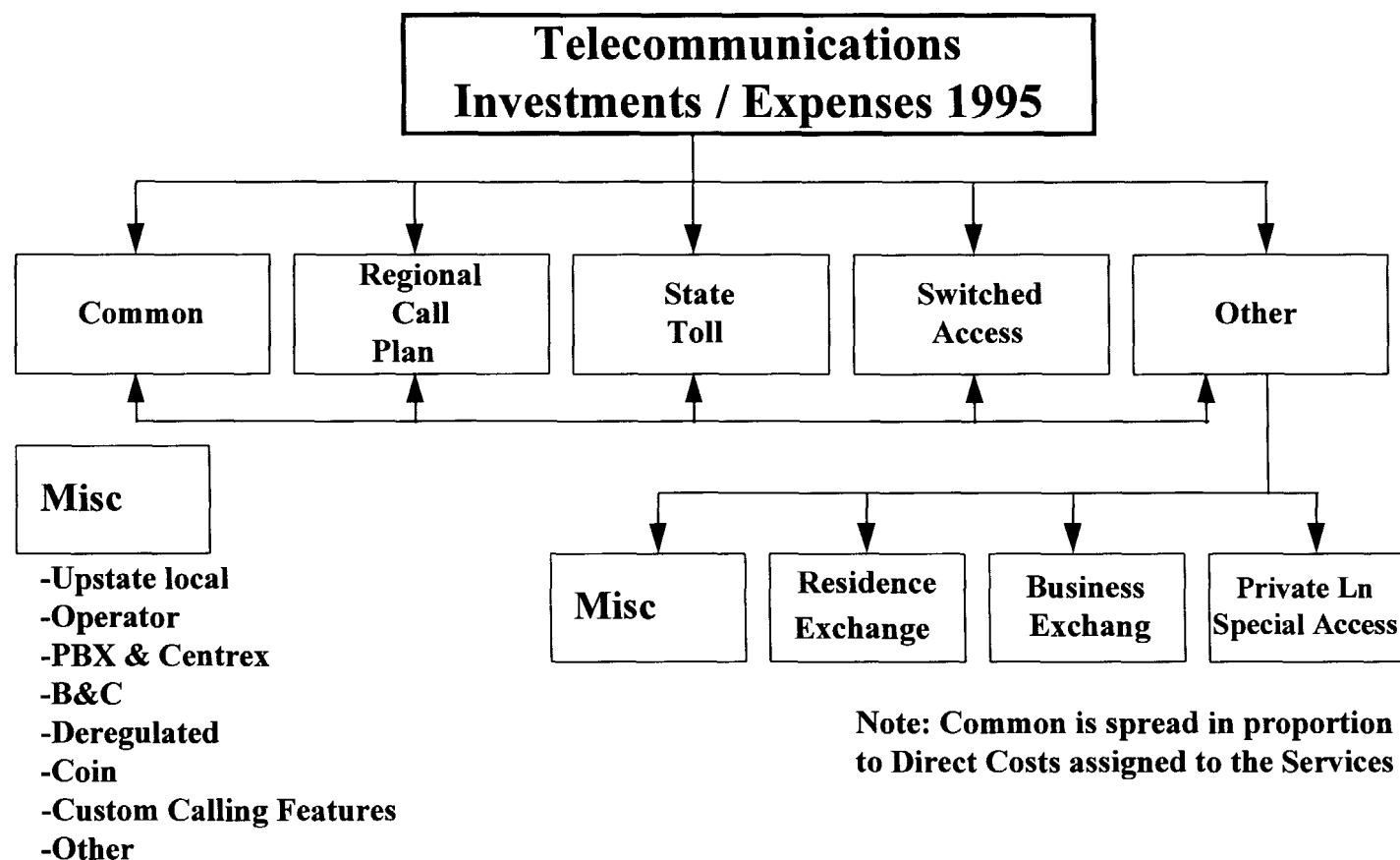
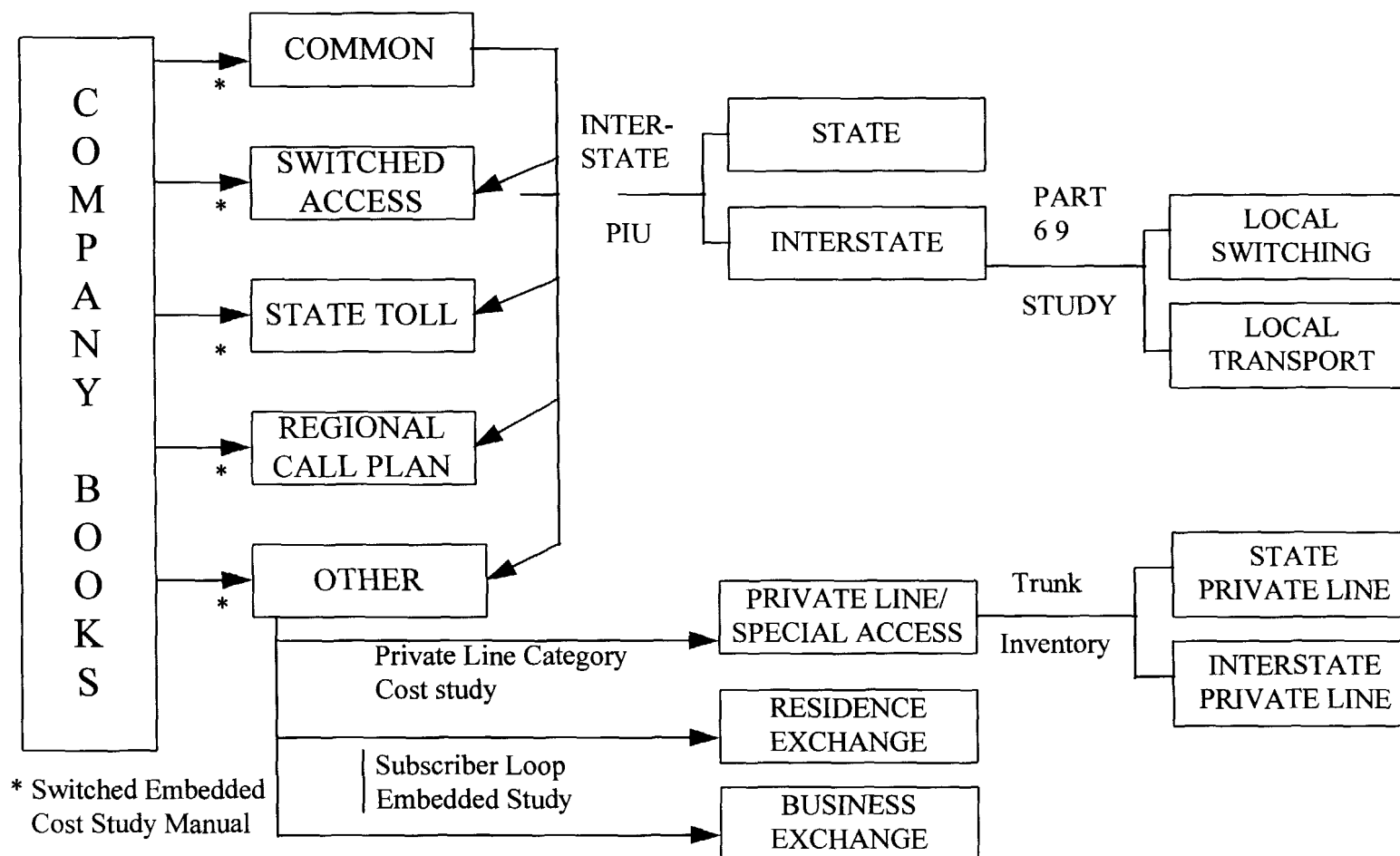


EXHIBIT 3

NYNEX-NEW YORK STATE SERVICE-SPECIFIC STUDY PROCESS FLOW



(C) Major Differences Between the Commissions Part 36/69 cost allocation rules and the New York Embedded Cost study.

The major differences between the New York embedded cost study and the Commissions separations and Part 69 rules are as follows:

- The New York embedded cost study splits the Switching investment into traffic sensitive (TS), non-traffic sensitive (NTS) , Custom Calling and other Vertical services, Coin and Touch Tone. Only the TS is assigned to Switched Access. The line port is considered non-traffic sensitive cost and is assigned to Residence exchange, Business exchange and “Miscellaneous.” Trunk ports of the local switch and tandem switch are separately identified as trunk port costs. End office related trunk port costs are included with Local Switching and tandem related trunk port costs are included with Local Transport. Custom Calling and other Vertical services, coin, touch-tone are assigned to the “other” category and are shown as part of “Miscellaneous” in Chart 1. The Commissions’ separations and Part 69 rules consider all Switching as one traffic sensitive unit and allocate switching revenue requirements to interstate based on Dial Equipment Minutes (DEM).⁵
- The New York embedded cost study assigns costs to the Service categories at the detailed Class A account and to some extent at sub-account levels, whereas Separations operates at the summary Class B account level. This allows the New

⁵ See FCC Rule 36.125

York study to avoid certain averaging processes that are inherent with separations and thus allocates less costs to Switched Access.

- The New York study allows the direct assignment of direct expenses to Service Categories, whereas Separations in most cases does not allow the direct assignment of direct expenses. Moreover, even if direct assignment of expenses were to be allowed in separations, separations would not lend itself easily to direct assignment since it operates at the summary account of Class B level rather than at the detailed Class A level. The broad averaging of assigning expenses based on broad average investment in separations over-allocates expenses to Switched Access.
- The New York study initially does not allocate common expenses to the service categories. Common expenses are allocated to Service categories based on the apportionment of direct costs. Some of the “Common” expenses are as follows:
 1. Network support expenses such as Motor Vehicle expenses (Account 6112), Garage work Equipment expenses (Account 6116) are categorized as part of “Common” in the direct cost study. The Part 36 separations rules lumps these expenses as part of General Support Facilities (GSF) expenses and allocates these expenses based on the way GSF investment is apportioned (this is based on “Big Three expenses”).⁶
 2. Other major “Common” expenses are accounts that are part of Corporate Operations expenses in the Commissions’ Part 32 Accounts such as Executive expenses (Account 6711), Planning expenses (Account 6712), Accounting and

⁶ See FCC Rules 36.112 and 36.311

Finance expenses (Account 6721), External Relations expenses (Account 6722), Human Resources expenses (Account 6723), Legal expenses (Account 6725), Procurement expenses (Account 6726), Research and Development expenses (Account 6727) and Other General and Administrative expenses (Account 6728). All these expenses are apportioned on the basis of the allocation of the “Big Three Expenses” in the Commissions’ Part 36 rules.⁷

Table 1 below compares interstate separations/Part 69 costs and revenues by Part 69 cost categories. It shows that at a total interstate level, the separations/Part 69 costs and revenues are almost about the same; costs are \$2.068 billion and revenues are \$2.066 billion.

TABLE 1
Interstate Separations/Access Costs and Revenue Comparison
(Dollars in Millions)

	Common Line	Local Transport	Local Switch	Info.	Special Access	B&C	IX	Interstate
Part 36/69 Costs	\$ 985.9	\$ 515.3	\$ 228.1	\$ 36.2	\$ 272.4	\$ 26.5	\$ 3.1	\$2,067.5
Revenues	\$ 774.4	\$ 470.1	\$486.6	\$ 16.4	\$ 266.1	\$ 51.7	\$ 0.3	\$2,065.6
Difference	\$(211.5)	\$ (45.2)	\$ 258.6	\$(19.8)	\$ (6.3)	\$ 25.2	\$(2.8)	\$ (1.9)

Source: FCC ARMIS 43-01 Report (1995), (Special Access revenues from internal source)

Table II below compares the amount of costs that the Commissions’ separations rule allocates to interstate local transport and interstate local switching as compared to the New York direct cost study.

⁷ See FCC rule 36.392

TABLE II
Cost Comparison Between Part 36/69 and NY Direct Cost Study
(Dollars in Millions)

Costing Methodology	Common Line	Local Transport	Local Switch	Special Access
PART 36/69 COSTS	\$ 985.9	\$ 515.3	\$ 228.1	\$ 272.4
NY COST STUDY	\$ 0	\$ 192.4	\$ 196.8	\$ 322.0
DIFFERENCE	\$ 985.9	\$ 322.8	\$ 31.3	\$ (49.6)

Source: Part 36/69 Costs from FCC ARMIS 43-01 Report (1995).

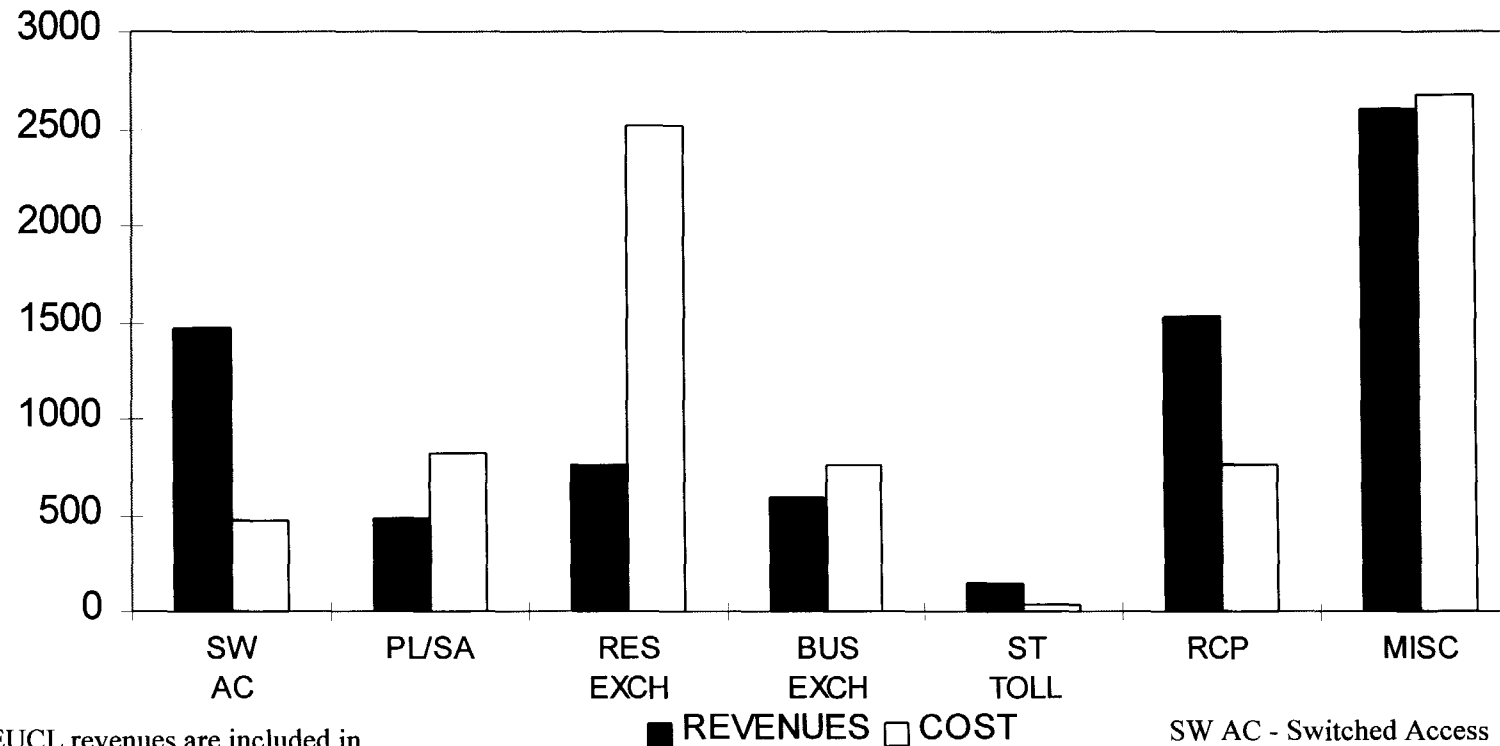
(C) SUMMARY OF THE STUDY RESULTS

The following charts provide the results of the service-specific cost study using 1995 New York State costs. Chart 1 shows embedded costs by major service category on an unseparated (total company basis) , along with 1995 revenues for each service. This chart indicates that there are significant contribution flows (excess of revenues over costs) from switched access, state toll, the Regional Call Plan, and Miscellaneous primarily to Residence Exchange service.

Chart II is a summary of interstate access service. It shows that interstate switched access revenues far exceed the directly-identified costs for switched access services. The chart also shows that both local transport and local switching provide significant amounts of contribution.

TOTAL SERVICE SPECIFIC COST STUDY 1995 NYNEX-NEW YORK STATE (\$ MILLIONS)

Chart I



1) EUCL revenues are included in res exch, bus exch, & misc.

2) Misc includes pay telephone, intercept, operator services, B&C, inside wire, Centrex, up state local usage, etc.

3) Switched access includes CCL, transport, and the traffic sensitive portion of switching

4) Costs include an allocation of common costs on the basis of direct costs

5) Res exch and bus exch include link & port revenues

SW AC - Switched Access

PL/SA - Private Line/Special Access

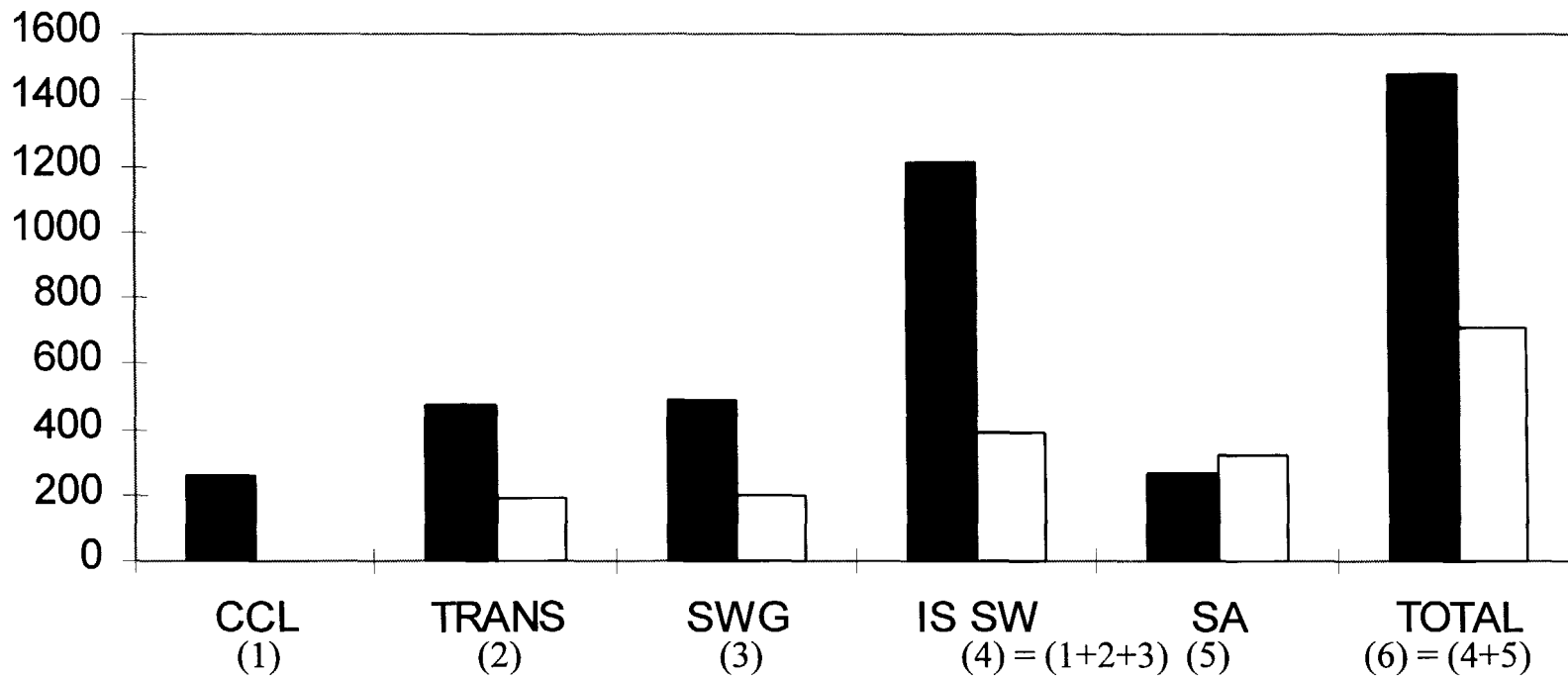
RES EXCH - Residence Exchange (1FR & 1MR)

BUS EXCH - Business Exchange (1 MB)

RCP - Regional Call Plan (home region and inter-region)

INTERSTATE ACCESS SERVICE SPECIFIC COST STUDY 1995 NYNEX-NEW YORK STATE (\$ MILLIONS)

CHART II



- (1) Local switching costs include only the traffic sensitive portion of switching
- (2) IS SW = CCL, TRANS, SWG
- (3) The TRANS category contains a full tandem switch component

■ REVENUES □ COST

CCL - Carrier Common Line
TRANS - Transport
SWG - Switching
SA - Special Access
IS SW - Carrier Switched Access

New York Cost Study

1995 DATA

CHART 1

NEW YORK TOTAL COMPANY

<i>Description</i>	<i>Switched Access</i>	<i>Private Line / Special Access</i>	<i>Residence Exchange</i>	<i>Business Exchange</i>	<i>Up State Toll</i>	<i>Down-State RCP</i>	<i>Miscellaneous</i>	<i>Total</i>
Cost	\$ 472,929,675	\$ 818,947,539	\$ 2,513,967,100	\$ 762,101,734	\$ 33,462,824	\$ 756,519,767	\$ 2,676,686,229	\$ 8,034,614,868
Revenues	\$ 1,471,107,561	\$ 477,394,768	\$ 762,161,116	\$ 590,378,122	\$ 139,973,005	\$ 1,525,230,478	\$ 2,600,563,598	\$ 7,566,808,648
Difference	\$ 998,177,886	\$ (341,552,771)	\$ (1,751,805,984)	\$ (171,723,612)	\$ 106,510,181	\$ 768,710,711	\$ (76,122,631)	\$ (467,806,220)

CHART 2

NEW YORK INTERSTATE

<i>Description</i>	<i>CCL</i>	<i>Transport</i>	<i>Switching</i>	<i>Interstate Switched Access</i>	<i>Special Access</i>	<i>Total</i>
Cost	0	\$ 192,398,311	\$ 196,822,812	\$ 389,221,123	\$ 322,055,686	\$ 711,276,809
Revenues	\$ 258,469,000	\$ 470,099,000	\$ 486,646,000	\$ 1,215,214,000	\$ 266,116,365	\$ 1,481,330,365
Difference	\$ 258,469,000	\$ 277,700,689	\$ 289,823,188	\$ 825,992,877	\$ (55,939,321)	\$ 770,053,556

EXHIBIT IV

ARMIS compared to NY Cost Study (\$ Thousands)	ACCOUNT	Transport & Switch (ARMIS)	Transport & Switch (NY Cost Study)	Difference	Transport only (ARMIS)	Transport Only (NY Cost Study)	Difference
MOTOR VEHICLE	6112	407	-	407	281	-	281
AIRCRAFT	6113	-	-	-	-	-	-
SPECIAL PURPOSE VEHICLE	6114	1	-	1	0	-	0
GARAGE WORK EQUIPMENT	6115	105	-	105	72	-	72
OTHER WORK EQUIPMENT	6116	9	-	9	6	-	6
NETWORK SUPPORT EXPENSE	6110	521	-	521	360	-	360
					-	-	
LAND AND BUILDING	6121	23,247	15,853	7,394	16,104	4,402	11,703
FURNITURE AND ARTWORK	6122	567	694	(127)	393	193	200
OFFICE EQUIPMENT	6123	3,190	-	3,190	2,210	-	2,210
GENERAL PURPOSE COMPUTER	6124	26,430	9,187	17,242	18,309	2,551	15,758
GENERAL SUPPORT EXPENSES	6120	53,434	25,734	27,700	37,016	7,145	29,871
						-	
ANALOG ELECTRIC COE	6211	13,873	10,161	3,711	9,217	2,821	6,396
DIGITAL ELECTRIC COE	6212	35,801	18,351	17,450	23,787	5,095	18,691
ELECTRO-MECHANICAL COE	6215	231	216	15	153	60	93
CENTRAL OFFICE SWITCHING EXPENSE	6210	49,904	28,728	21,176	33,157	7,977	25,180
						-	
OPERATOR SYSTEMS	6220	32	7	26	22	2	20
						-	
RADIO SYSTEMS	6231	434	457	(23)	289	457	(168)
CIRCUIT EQUIPMENT	6232	21,360	10,576	10,784	14,192	10,576	3,616
CO TRANSMISSION EXPENSE	6230	21,794	11,033	10,762	14,480	11,033	3,448
						-	
STATION APPARATUS	6311	-	-	-	-	-	-
INSIDE WIRE	6321	-	-	-	-	-	-
LARGE PBX	6341	-	-	-	-	-	-
PUBLIC TEL TERM EQ	6351	-	-	-	-	-	-
OTHER TERMINAL EQUIPMENT	6362	-	-	-	-	-	-
IOT EXPENSE	6310	-	-	-	-	-	-
						-	
POLES	6411	241	40	201	241	40	201
AERIAL CABLE	6421	10,705	1,622	9,083	10,705	1,622	9,083
UNDERGROUND CABLE	6422	1,313	1,134	179	1,313	1,134	179

EXHIBIT IV

ARMIS compared to NY Cost Study		Transport & Switch	Transport & Switch	Difference		Transport only	Transport Only	Difference
(\$ Thousands)	ACCOUNT	(ARMIS)	(NY Cost Study)			(ARMIS)	(NY Cost Study)	
BURIED CABLE	6423	842	552	290		842	552	290
SUBMARINE CABLE	6424	-	2	(2)		1	2	(1)
DEEP SEA CABLE	6425	-	-	-		-	-	-
INTRABUILDING NETWORK CABEL	6426	-	-	-		595	-	595
AERIAL WIRE	6431	-	-	-		9	-	9
CONDUIT SYSTEMS	6441	-	511	-		1,553	511	1,042
CABLE & WIRE FACILITIES EXPENSE	6410	15,258	3,860	11,398		15,258	3,860	11,398
		-	-	-		-	-	-
PHFU	6511	-	-	-		-	-	-
PROVISIONING	6512	545	297	248		377	164	213
OTHER PP&E EXPENSE	6510	545	297	248		377	164	213
		-	-	-		-	-	-
POWER	6531	6,341	3,329	3,012		4,393	1,844	2,549
NETWORK ADMINISTRATION	6532	10,504	4,658	5,845		7,277	2,581	4,697
TESTING	6533	23,838	2,622	21,216		16,516	921	15,595
PLANT OPERATING ADMIN	6534	20,225	11,137	9,088		14,013	6,170	7,843
ENGINEERING	6535	11,443	6,787	4,656		7,928	3,908	4,021
NETWORK OPERATIONS EXPENSE	6530	72,350	28,532	43,818		50,128	15,424	34,704
		-	-	-		-	-	-
		-	-	-		-	-	-
ACCESS	6540	-	-	-		-	-	-
		-	-	-		-	-	-
DEPRECIATION - PLANT IN SERVICE	6561	182,321	85,736	96,585		124,880	47,501	77,379
DEPRECIATION - HELD FUTURE USE	6562	-	-	-		-	-	-
AMORTIZATION - TANGIBLE	6563	4,288	-	4,288		2,937	-	2,937
AMORTIZATION - INTANGIBLE	6564	-	-	-		-	-	-
AMORTIZATION - OTHER	6565	899	-	899		616	-	616
DEPRECIATION & AMORT EXPENSE	6560	187,509	85,736	101,773		128,433	47,501	80,932
		-	-	-		-	-	-
PRODUCT MANAGEMENT	6611	16,567	4,525	12,043		11,480	1,640	9,840
SALES	6612	12,329	3,346	8,983		8,543	1,212	7,331
PRODUCT ADVERTISING	6613	5,041	76	4,965		3,493	27	3,465
CUST OPS EXPENSE - MARKETING	6610	33,937	7,946	25,991		23,516	2,879	20,637
		-	-	-		-	-	-
CALL COMPLETION	6621	1,694	5,345	(3,651)		1,392	1,484	(92)

EXHIBIT IV

ARMIS compared to NY Cost Study (\$ Thousands)	ACCOUNT	Transport & Switch (ARMIS)	Transport & Switch (NY Cost Study)	Difference	Transport only (ARMIS)	Transport Only (NY Cost Study)	Difference
NUMBER SERVICES	6622	3,454	-	3,454	2,838	-	2,838
CUSTOMER SERVICES	6623	16,584	3,187	13,397	13,628	1,155	12,473
CUST OPS EXPENSE - SVCS	6620	21,732	8,532	13,200	17,858	2,639	15,219
		-	-	-	-	-	-
EXECUTIVE	6711	3,910	-	3,910	2,788	-	2,788
PLANNING	6712	5	-	5	4	-	4
CORP OP EXP - EXECUTIVE & PLANNING	6710	3,915	-	3,915	2,792	-	2,792
		-	-	-	-	-	-
ACCOUNTING & FINANCE	6721	3,040	-	3,040	2,168	-	2,168
EXTERNAL RELATIONS	6722	5,773	-	5,773	4,117	-	4,117
HUMAN RESOURCES	6723	6,083	-	6,083	4,338	-	4,338
INFORMATION MANAGEMENT	6724	10,868	6,945	3,923	7,750	1,928	5,822
LEGAL	6725	2,072	-	2,072	1,477	-	1,477
PROCUREMENT	6726	1,210	-	1,210	863	-	863
RESEARCH & DEVELOPMENT	6727	5,041	-	5,041	3,595	-	3,595
OTHER G&A	6728	50,067	-	50,067	35,706	-	35,706
CORP OPS EXPENSE -G&A	6720	84,153	6,945	77,208	60,015	1,928	58,087
Common		0	64,630	(64,630)	-	32,682	(32,682)
Total 1/		545,085	271,979	273,106	383,412	133,234	250,177
1/ Common expenses are included in Separations. The direct cost method allocates common expenses after the apportionment of all direct costs.							

Economic Reserve Deficiency

(in 000's)

	12/31/96 ** Plant Investment	12/31/96 ** Regulated FCC Reserve	Reserve Percent C=B/A	Theoretical # Reserve D	Theoretical Reserve Percent E=D/A	Catch-up F=D-B	Interstate Portion G
	A	B					
Bell Atlantic	33,087,992	15,119,958	45.7%	17,793,297	53.8%	2,673,339	739,810

Basis for Calculation of Economic Reserve Deficiency ++

	Bell Atlantic	
	Projection <u>Lives +</u>	Future Net <u>Salvage+</u>
Motor Vehicles	7.5 *	10 *
Other Work Equip	12 *	0 *
Buildings	30	2
Computers	6 *	2 *
Analog Switching	NA	0
Digital Switching	11	1 *
Digital Circuit	9	0 *
Circuit Sonet	11 *	1 *
Analog Circuit	8 *	-5 *
Public Telephones	8 *	5 *
Other Terminal Eq	8 *	0 *
Poles	30 *	-129 - -75
Aerial Metallic	15 - 18	-20 *
Aerial Non Metallic	20	-20 *
U. G. Metallic	15 - 18	-10 *
U. G. Non Metallic	25 *	-20 *
Buried Metallic	15 - 18	-10 *
Intrabldg Metallic	16	-20 *
Conduit Systems	50 *	-10 *

** Estimated prior to EOY 1996 book closing .

Calculation based on FCC requirements as detailed in the 1996 Depreciation Study Guide, Section C-1.

++ Parameters used are the Companies estimate of life and salvage which underlie its 1996 financial reports.

+ Various small accounts representing less than 1% of the total investment has not been displayed.

* Parameter is within the FCC Range.

NA Not applicable (AYFR Account)

Economic Reserve Deficiency

(in 000's)

	12/31/96 ** Plant Investment	12/31/96 ** Regulated FCC Reserve	Reserve Percent	Theoretical # Reserve	Theoretical Reserve Percent	Catch-up	Interstate Portion
	A	B	C=B/A	D	E=D/A	F=D-B	G
NYNEX	31,768,028	15,750,422	49.6%	16,418,753	51.7%	668,331	157,621

Basis for Calculation of Economic Reserve Deficiency ++

	NYNEX	
	Projection <u>Lives +</u>	Future Net <u>Salvage+</u>
Motor Vehicles	6.5	2
Other Work Equip	12 *	0 *
Buildings	45 - 60	5
Computers	5	1 *
Analog Switching	NA	-1
Digital Switching	12	2 *
Digital Circuit	8	-1
Circuit Sonet	-	-
Analog Circuit	8 *	-1 *
Public Telephones	7 *	0 *
Other Terminal Eq	5 *	-2 *
Poles	40	-113
Aerial Metallic	18	-10 *
Aerial Non Metallic	20	-5
U. G. Metallic	16	-10 *
U. G. Non Metallic	20	-5 *
Buried Metallic	18	0 *
Intrabldg Metallic	18	-10 *
Conduit Systems	55 *	-17

** Estimated prior to EOY 1996 book closing .

Calculation based on FCC requirements as detailed in the 1996 Depreciation Study Guide, Section C-1.

++ Parameters used are the Companies estimate of life and salvage which underlie its 1996 financial reports.

+ Various small accounts representing less than 1% of the total investment has not been displayed.

* Parameter is within the FCC Range.

NA Not applicable (AYFR Account)



TO LEARN ABOUT BACKING UP
YOUR LOCAL PHONE SERVICE,
CALL 412-316-4TCG or 412-338-9090.
OR
WAIT FOR YOUR LINES
TO GO DOWN AND WRITE TO
THE ADDRESS BELOW.

Let TCG show you how good local telecommunications can be.

- Full Line of Local Voice, Video, Data Services
- Fast, Self-Healing Fiber Optic Networks
- Private Lines
- Local Dial Tone Services: DID, Business Lines
- Analog & Digital Centrex
- WAN and SONET
- Switched Services
- Long Distance Access
- 24-Hour Service
- Intra-Lata Long Distance

TCG Pittsburgh • 2500 Allegheny Center Office Concourse • Pittsburgh, PA 15212

The other local phone company.



BELL ATLANTIC and NYNEX
Overhead Loading Calculation -- 1995 ARMIS data -- Tandem Switching

INVESTMENT	ARMIS 43-04 Line No. *	Dollars in Thousands	
		BELL ATLANTIC	NYNEX
1 INVESTMENT- COE, CWF	1410+1530	155,536	225,087
2 INVESTMENT-GSF	1000	26,972	29,442
3 TOTAL	L1+L2	182,508	254,529
4 COE,CWF FACTOR	L1/L3	0.8522	0.8843
5 GSF FACTOR	L2/L3	0.1478	0.1157
NET INVESTMENT			
6 NET INVESTMENT-COE,CWF	L1-3020-3030-3040-3060- 3360-3370-3380-3400	125,670	92,415
7 NET INVESTMENT- GSF	L2-3010-3350	14,053	17,314
8 TOTAL NET INVESTMENT	L6+L7	139,723	109,729
9 NET INVESTMENT FACTOR-COE,CWF	L6/L8	0.8994	0.8422
10 NET INVESTMENT FACTOR- GSF	L7/L8	0.1006	0.1578
COSTS			
11 PLANT SPECIFIC EXPENSE- COE,CWF	5024+5076	5,051	6,656
12 PLANT SPECIFIC EXPENSE-GSF	5013	3,575	5,701
13 DEPR/AMORT- COE,CWF	6030+6040+6050+6070	4,714	20,664
14 DEPR/AMORT- GSF	6020	2,058	1,211
15 FIT	calculated	7,100	3,786
16 FIT- COE,CWF	L9*L15	6,386	3,189
17 FIT- GSF	L10*L15	714	597
18 SIT	calculated	1,471	372
19 SIT- COE, CWF	L9*L18	1,323	313
20 SIT- GSF	L10*L18	148	59
21 NET RETURN- COE, CWF	L6*.1125	14,138	10,397
22 NET RETURN- GSF	L7*.1125	1,581	1,948
23 NETWORK OPERATIONS- DIRECT	6010*%DIRECT	1,804	2,927
24 DIRECT COSTS	LNS 11+13+16+19+21+23	33,416	44,146
OTHER COSTS			
25 OTHER ST/ LOC INCOME TAX	8005	1,759	5,423
26 OTHER STATE & LOCAL INC TAX-COE,CWF	L9*L25	1,582	4,567
27 OTHER STATE & LOCAL TAX- GSF	L10*L25	177	856
28 PLANT NON-SPECIFIC	6000+6010	4,854	7,514
29 CUSTOMER OPERATIONS	7320	2,051	4,041
30 CORPORATE	7331	3,902	8,742
31 TOTAL COSTS	LNS 11+12+13+14+16+17+19+20+ 21+22+26+27+28+29+30	52,254	76,455
32 Overhead Factor - Total Costs/Direct Costs	L31/L24	1.5637	1.7319

* Tandem Switching amounts were calculated from the Local Transport Column in the ARMIS 43-04 report.